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M A N A G E M E N T   L E T T E R

DATE: July 26, 2005

TO: Metropolitan King County Councilmembers

FROM: Cheryle A. Broom, County Auditor

SUBJECT: Records Storage Follow-up Review

Implementation of 2004 Recommendations Has Led to Efficiencies and Reduced Unit Costs (Per Box).

The 2005 Auditor's Office Work Program includes a follow-up review of the county's records storage function, which is managed by the Department of Executive Services' Archives and Records Management Section. The purpose of the review was to evaluate the section's progress in implementing recommendations from the 2004 *City-County Records Storage Operations Partnering Opportunities* study.

Our follow-up review found that the Archives and Records Management Section (records center management) implemented two recommendations, and partially implemented a third recommendation. Records center management has achieved efficiencies by implementing these recommendations, including the effective use of private storage options. However, improved planning efforts could lead to additional operating efficiencies.

The 2004 study provided two recommendations for the city and county to independently improve their internal operations and identified one potential partnering opportunity. We recommended that:

- Records center management consider incentives to encourage timely records disposal, as well as options for storing records with private vendors, particularly records that are not likely to be retrieved until their destruction date; and
- The city and county consider negotiating a joint purchase of a new records center software system to enhance records tracking, improve current database-reporting capabilities, and provide for more efficient, Web-based interaction with city and county records storage customers.

Our follow-up review concluded that:

- The county's records center management now informs county agencies that records with expired retention schedules will be returned to the agency. This has resulted in improved agency response rates to disposition notices, and promoted more timely records disposal.
- The county's records center management increased the use of cost-effective private storage services and also improved space utilization at its main warehouse. These improvements allowed the records center to increase capacity, expand service levels, and reduce storage costs per box.
- Although the city and county do not plan to jointly purchase and implement a new records center software system, the county shared its current records center inventory database with the city of Seattle at no cost to the city. The city agreed to share any inventory database improvements it initiates with the county.

We also determined that records center management's recent strategies to accommodate net inventory growth may not generate sufficient increased storage capacity to accommodate expected inventory growth in the future. However, improved disposition practices and implementation of electronic records management could assist in reducing inventory growth. Records center management has not developed a management plan that assesses future capacity requirements, establishes targets for limiting the records center's net inventory growth, or estimates the potential impacts of new initiatives on records center operations. We recommend that records center management develop a plan that considers these issues.

BACKGROUND

During the fall of 2002, the city of Seattle and King County both anticipated substantial revenue shortfalls for the 2003 fiscal year and beyond. The city estimated a $60 million gap between general fund revenues and expenditures for 2003 and expected challenges in balancing the 2004 budget. Similarly, the county estimated a $52 million Current Expense Fund deficit for 2003 and projected another significant deficit in 2004.

In response to these forecasts, the Seattle City Council and Metropolitan King County Council adopted legislation in November 2002 requesting that the Office of City Auditor and King County Auditor's Office conduct a joint study to explore partnering opportunities for delivering local government services more efficiently. The joint study identified records storage as the first operational area to be reviewed.

In March 2004, we published a second joint report that explored potential city-county partnering opportunities for records storage that would allow both jurisdictions to achieve service improvements and cost savings. Each recommendation from the 2004 report is displayed below, and is followed by a discussion of records center management's progress in implementing the recommendation.

2004 Recommendation 1: King County's Department of Executive Services should consider incentives to encourage timely records disposal, such as additional charges for departments that store records beyond required retention periods.

Conclusion: Records center management now informs county agencies that records with expired retention schedules will be returned to the agency. As a result, agencies improved their timeliness in responding to disposition requests since 2003.

The county's executive response partially concurred with the recommendation to consider incentives to encourage timely records disposal. The executive response indicated that the recommendation was duplicative, because incentives were already in place. Specifically, the records center destroyed the records or returned the records to the originating agency, if agencies did not respond to requests to authorize the destruction of records with expired retention schedules.

Subsequent to the 2004 study, records center management instituted a new incentive to encourage county agencies to dispose of records promptly. Records center management revised its final disposition notices to clearly inform agencies that records with expired retention schedules would be returned to the originating agency.

Since the revision, agencies' timeliness in responding to disposition notices has improved significantly. The percentage of agencies authorizing destructions within 30 days of receiving a disposition notice increased from 49 percent during the first quarter of 2003 to 71 percent during the first quarter of 2005.

Net Growth of the County's Records Storage Inventory Is Projected to Continue.

From 2003 to 2005, the records center's inventory increased from 95,600 records boxes to 104,300 records boxes, or about 4,000 boxes per year. However, records center management indicated that inventory has historically grown by about 2,000 boxes each year. This estimate is consistent with the two-year average projected for 2004 and 2005. The records center's inventory gained a net of 2,900 boxes in 2004 and is projected to gain a net of 900 boxes in 2005. Increased in-house and private storage capacity (discussed in more detail under "2004 Recommendation 2" on Page 4) contributed to the unusually high inventory growth between 2003 and 2005. The current inventory of 104,300 records boxes now utilizes approximately 99 percent of the records center's total in-house and private storage capacity of approximately 105,700 boxes.

Because only one full year had elapsed since the 2004 study was issued, sufficient data was not available to assess whether improved disposition practices would effectively reduce net inventory growth over time. Records center management expects to eliminate approximately 9,700 boxes from the inventory in 2005. Records center management also estimates that the records center will receive approximately 10,600 boxes. This would yield a net increase of 900 boxes by the end of the year, despite county agencies' improved timeliness in responding to disposition notices. Because the records center's inventory is already at 99 percent of its capacity, the records center may need to limit the number of boxes it accepts for storage or identify other storage alternatives. If the records center limited the number of boxes it accepts for storage, county agencies would need to utilize office space or other departmental facilities to store their inactive records.

In the "Issues for Further Consideration" section on Page 6, we discuss the need for records center management to develop a long-range plan to assess the county's future records storage requirements and available resources. An important part of the plan would be to establish targets for restricting inventory growth, because the records center inventory has nearly reached its current maximum capacity. Establishing targets based on current inventory data would assist records center management in determining whether improved disposition practices are effective.

2004 Recommendation 2: **The county's Department of Executive Services should consider options for storing records with cost-effective private vendors, particularly for records that are not likely to be retrieved until their destruction date.**

Conclusion: The county's records center management increased the use of cost-effective private storage services and also improved space utilization at its main warehouse. These improvements allowed the records center to increase capacity, expand service levels, and reduce storage costs per box.

The county's executive response concurred with our 2004 recommendation. Our follow-up review showed that the records center increased its total inventory by about nine percent from 2003 to 2005, largely due to increased use of private storage as well as in-house shelving improvements. Because overall costs remained stable, unit costs declined significantly during the same period.

Greater Use of Private Storage Allowed Records Center Management to Increase Records Storage Service Capacity Cost-Effectively.

In 2003, the county owned two and leased a third records storage facility, and limited its use of private storage services. In 2004, the county executed a favorable contract with a private records storage vendor. Consistent with our 2004 recommendations, the records center transferred the boxes previously stored at its leased facility into private storage. The leased records storage facility is now used exclusively for elections operations, consistent with the county's intended use of that facility.

The county contract specifies a monthly per-box storage charge of 31 cents, or $3.75 annually, compared to the leased facility's annual per-box storage cost of $4.81. The county's private vendor does not charge the county for next-day retrievals and deliveries, which also helps minimize charges to the county. (The contract includes rates of $27 to retrieve and deliver records within half a day, and $45 for "rush," or same-day, deliveries.) Previously, records center management absorbed the labor, vehicle, and fuel costs associated with retrieving records from the leased facility.

Because of the low contract rates, records center management now stores approximately 9,400 boxes of records with the private vendor at approximately the same cost that it stored less than 7,000 boxes at the county's leased facility. Records center management increased records storage service levels without increasing total program costs, thereby reducing unit costs.

Cost Per Box Declined Significantly Due to Greater Use of Private Storage Services, as Well as Improved Space Utilization at the County's Records Center.

Since the 2004 study, records center management also improved space utilization to increase capacity at the county records center. Records center management installed taller shelving to expand its in-house storage capacity by three percent (or approximately 3,000 boxes). Records center management indicated that it could further increase capacity by a maximum of 800 boxes through additional shelving improvements because most of the older (shorter) shelving has already been replaced.

While increased use of cost-effective private storage services and improved space utilization allowed records center management to increase service levels and store more records, records

center total costs did not change significantly from 2003 to 2005. Because records center costs remained the same at approximately $386,000, the $3.66 per-box unit cost in 2005 was 16 percent lower than the $4.34 per-box cost in 2003.

2004 Potential Partnering Arrangement: The city and county should consider negotiating a joint purchase of a new records center software system to enhance records tracking, improve current database-reporting capabilities, and provide for more efficient, Web-based interaction with city and county records storage customers.

Conclusion: Although the city and county do not plan to jointly purchase and implement a new records center software system, the county shared its current, non-proprietary records center inventory database with the city of Seattle at no cost to the city. The city agreed to share any inventory database improvements it initiates with the county.

Separate executive responses from the city and county indicated concurrence with the above recommendation. Following the 2004 study, managers from the City Warehousing Services Unit and the County Archives and Records Management Section met four times to discuss records center software requirements and a potential joint software purchase. However, this partnering arrangement will no longer be beneficial to the county if a recent proposal to develop a comprehensive electronic records management system is implemented.

In 2005, the County Archives and Records Management Section developed a "white paper" proposal to implement a countywide electronic records management system to manage and retain administrative records created electronically (such as emails or spreadsheets) in accordance with Washington State public records laws. The total system implementation cost is estimated at $3.6 million. According to the white paper, the county has not adopted a standardized approach to manage electronic records. County retention practices range from printing and filing hard copies to saving files in network folders, with varying consistency in adhering to state-required records retention schedules. The proposal indicated that an electronic records management system would ensure appropriate access to electronic records throughout required retention periods; improve search capabilities; and retain all metadata (such as the date created or sent, recipients, and attachments) associated with each electronic record.

According to the Archives and Records Management Section Manager, an electronic records management system could also be used to track the paper records stored in the county records center. In contrast, a records center software system would only manage the records center inventory. The Archives and Records Management Section Manager concluded that implementing the more comprehensive electronic records management system supersedes the county's interest in partnering with the city to jointly purchase a new records center software system. The city does not currently plan to implement electronic records management. Because the city's and county's current records management objectives may no longer be compatible, partnering on a joint records center software purchase may not be beneficial.

Although the city and county do not plan to jointly purchase and implement a new records center software system, the county shared its current, non-proprietary records center inventory database with the city of Seattle at no cost to the city. The city agreed to share any inventory database improvements it initiates with the county.

Issues For Further Consideration: A Plan for Records Storage Has Not Been Developed to Assess Future Capacity Requirements and New Initiatives that Could Impact Records Center Operations.

The county has not developed a long-range plan to assess future records storage requirements or to comprehensively analyze trends or new initiatives that could impact records center operations. One area of concern is the continuing growth in the county's records storage inventory. The county has a limited ability to further expand its in-house capacity. While electronic records management initiatives may eventually reduce net inventory growth, it would be prudent to establish a plan to address concerns regarding the county's records storage capacity.

The records center's current inventory of approximately 104,300 records boxes is at 99 percent of its total capacity of approximately 105,700 boxes. (These figures include both in-house and private storage inventories and capacities.) Again, records center management indicated that inventory has historically grown by about 2,000 boxes each year. The county has nearly reached its maximum in-house capacity as well as its budgeted limit for use of private vendor storage. As of April 2005, the records center could only accommodate an additional 800 boxes in the county warehouse and 600 boxes in private storage, or a total of 1,400 additional boxes. Therefore, the strategies implemented by records center management to increase capacity from 2003 to 2005 may not be sustainable in the future. No plan is currently in place to address records storage capacity concerns. Developing a records storage plan would be essential in identifying strategies to continue to effectively meet the county's records storage requirements.

Three Factors Could Impact Records Storage Inventory and Capacity Requirements.

1. Improved Disposition Practices Could Assist Records Center Management in Restricting Inventory Growth.

Three factors could help address capacity concerns by restricting inventory growth or increasing records storage capacity. First, as discussed above, county agencies' timeliness in responding to disposition notices has improved since 2003. The percentage of agencies authorizing destructions within 30 days of receiving a disposition notice increased from 49 percent during the first quarter of 2003 to 71 percent during the first quarter of 2005. Because only one full year had elapsed since the 2004 study was issued, sufficient data was not available to assess whether improved disposition practices were effective in restricting inventory growth over time. As data becomes available, however, records center management should evaluate whether improved disposition practices are effective in limiting inventory growth as part of a records storage management plan.

2. County Agencies' Electronic Records Management Initiatives Could Reduce Paper Records Storage Requirements.

Numerous county agencies have begun to implement departmental electronic records management initiatives that could reduce their paper records storage requirements over the next few years. Examples of county agencies currently implementing departmental electronic records management initiatives include District Court, the Department of Transportation Human Resources Division, and the Sheriff's Office.

Impacts of electronic records system implementation on the records center may not occur for several years, but could have substantial implications for the records center inventory in the future. Records center management indicated that District Court currently sends approximately 4,000 records boxes to storage each year. Records center management estimated that District Court's implementation of electronic records management could reduce the number of boxes it annually sends to storage to 250 boxes by 2008. The Sheriff's Office currently sends about 210 to 220 boxes of police reports to the records center each year. The Sheriff's Office Technical Services Division indicated that, within several years, the paper volume could decline to just 10 boxes of records. The Department of Transportation Human Resources Division Records Officer indicated that within two years, the division will no longer need to store about 35 boxes of paper records at the records center.

Based on the volume of records received in 2003, 2004, and 2005 (estimated), the records center accepts an average of 11,100 boxes per year. A reduction of 4,235 incoming boxes from District Court, the Sheriff's Office, and the Department of Transportation would represent a 38 percent decrease in the annual incoming volume.

As noted previously, the Archives and Records Management Section presented a "white paper" to the Office of Information Resource Management proposing the implementation of a countywide, electronic records management system to improve retention and disposition practices for electronic administrative records. The May 2005 proposal did not attempt to quantify the impacts of implementing electronic records management. However, implementation could include a potential reduction of paper records storage requirements.

Subsequent business case analyses of a proposed records management system should identify and quantify the impacts of implementing such a system, including potential reductions in paper records storage requirements. This analysis would be consistent with Office of Information Resource Management guidelines for systems development, and would assist records center management in projecting future records storage capacity requirements.

3. New Alternatives for Storing Records, Including Increased Use of Private Records Storage, Could Expand the County's Overall Storage Capacity.

The facilities available for records storage could also be expanded to address current capacity concerns. An unresolved issue is whether elections equipment, which is currently stored in the same county warehouse as the records center, is included in county plans to consolidate and relocate elections operations to a new facility. If so, additional storage space could become available at the county warehouse to increase capacity for records center operations.

Another option that would allow the county to increase its records storage capacity would be to consider increasing the use of private records storage services. As noted above, the county's current records storage contract provides private records storage and retrieval services at cost-effective rates, and the contract can be renewed for 2006. Further increasing the county's use of private storage facilities could provide records center management additional short-term flexibility to address inventory growth if private vendor contracts continue to offer cost-effective storage and retrieval services to the county. However, expanded use of private records storage services would require additional budgetary resources for records center operations. Future storage requirements should first be assessed to determine whether this strategy would be cost-effective, particularly after 2007 when a new private records storage contract would need to be executed.

CONCLUSIONS

Given the three key factors described above, significant changes in the county's records storage operations could occur in the short term. We concluded that the development of a records storage management plan would enhance the county's ability to prepare for and address changes that impact records storage operations. As part of a planning effort, establishing targets for restricting inventory growth (as described on Page 3) would assist records center management in evaluating disposition practices and developing strategies for addressing the projected net growth in inventory.

Follow-Up Recommendation 1: Records center management should develop a records storage management plan that addresses inventory and capacity issues, establishes targets for restricting inventory growth, and evaluates the cost-effectiveness of options. The plan should also consider county initiatives that will potentially affect records center operations, and assess the impacts of the initiatives on facility needs.

EXECUTIVE RESPONSE

The County Executive concurred with the recommendation from our follow-up review and agreed to develop a records storage management plan. Implementation of the plan is scheduled for June 2006. The executive's response is attached in its entirety to this management letter.

Attachment

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July 20, 2005

Cheryle Broom
King County Auditor
Room W1033
COURTHOUSE

Dear Ms. Broom:

Thank you for the opportunity to review the proposed final management letter on the Record Storage Follow-up Review, which you forwarded to my office on July 1, 2005. Below is the Records, Elections and Licensing Services Division's response to the recommendation.

Recommendation	Agency Position	Schedule for Implementation	Comments
Recommendation #1: Development and implementation of a *records storage management plan.*	**Concur**	In order to develop a records management storage plan, the following steps will be taken: ■ Historical analysis of storage trends and capacity requirements. ■ Analysis of upcoming initiatives that will affect storage. Analysis to be completed by Mar 2006 and plan implementation scheduled for Jun 2006.	Concurrence does not require comment.

If you have questions about this response, please feel free to contact Dean Logan, Director of the Records, Elections and Licensing Services Division, at 206-296-1540.

Sincerely,

Ron Sims
King County Executive

cc: Paul Tanaka, County Administrative Officer, Department of Executive Services (DES)
        Dean C. Logan, Director, Records, Elections and Licensing Services Division (REALS), DES
        Tony Adams, Manager, Archives, Records Management and Mail Services, REALS, DES

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